

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL EIGHT)

Docket No. RM2019-14

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO COMMISSION ORDER NO. 5274  
(October 15, 2019)

On October 7, PostCom filed a motion requesting access to materials (USPS-RM2019-14/NP1) provided under seal by the Postal Service with its proposal in this docket, specifically, the nonpublic impact statement submitted as Excel file IMPACT.PROP8.xlsx. Motion at 1. With its motion, PostCom included executed copies of the standard protective conditions for the individuals seeking access. Since the Postal Service had no objection to the requested access pursuant to those protective conditions, no response to the motion was necessary, and none was submitted. In Order No. 5274 (October 11, 2019), the Commission granted the requested access, but in response to statements made by PostCom in the motion, also directed the Postal Service to provide further explanation or further public information. The Postal Service hereby responds.

In its motion, PostCom correctly observes that, in other proceedings in which changes in costing methodologies are proposed, the Postal Service often submits two versions of an impact analysis – a nonpublic version in which rows containing the cost impact on both individual market dominant and competitive products are displayed, and a public version in which the rows of cost impact on individual market dominant

products are displayed, but the impact on competitive products is aggregated in one row. Motion at 2. Postcom appropriately offers examples of Docket Nos. RM2019-6 and RM2019-12. *Id.* In making this comparison and criticizing the lack of a comparable public version here, however, PostCom apparently fails to fully comprehend the significance of the distinct nature of the methodologies being updated in those cases, relative to what is proposed in this case. The two other pending dockets that Postcom cites both involve broader proposed changes in the CRA, such that both market dominant and competitive products would be affected. In such instances, in which costs at the product level for both types of products are involved, it makes sense to provide the impact in CRA format, using the two versions described above.

In this docket, however, the Postal Service has proposed changes in models which, as PostCom correctly notes, provide cost information below the product level. See Motion at 1. In other words, since these models are only disaggregating costs below the product level, and since the models only address competitive products, there are no impacts on market dominant products to report. The two impact versions in CRA format that PostCom describes as applicable in other dockets would not be useful to understand the impact of the current proposal, because all of the impacts are below the product level, and all of them relate solely to competitive products.

Therefore, the impact tables submitted in USPS-RM2019-14/NP1 utilize a completely different format. They focus exclusively on unit costs for categories of specific competitive products estimated before and after the proposed changes.<sup>1</sup> In

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<sup>1</sup> In fact, moreover, the impact tables are essentially variations of the summary tables that appear each year in the Prefaces of the respective cost model folders, NP15 and NP16. Such summary tables, with rows of unit cost results for the relevant modeled

contrast with the impact tables in CRA format to which PostCom alludes, with some rows of market dominant products and some rows of competitive products, all of the rows of unit costs in the NP1 impact material in this proceeding are highly commercially sensitive. There are no rows of non-sensitive information. Nevertheless, in the Impact portion of Proposal Eight (pages 13-14) filed on September 18, the Postal Service textually described the salient changes in those unit costs in more general terms (i.e., using percentages instead of absolute amounts). As a practical matter, that public document therefore allows readers to understand the significance of the proposed changes on the cost model results to the extent that can be achieved without revealing commercially sensitive unit cost details. In fact, the narrative explanation included on those pages actually offers more insight than the bare percentages presented in the tables. Of course, readers wishing to know more (as PostCom apparently did) could appropriately do so by seeking and obtaining access to the full nonpublic impact tables, with the actual unit costs amounts (which PostCom has now successfully done).

In seeking to explain why the examples PostCom cites regarding impact materials from Dockets Nos. RM2019-6 and RM2019-12 are not good examples of relevant past practice, however, the Postal Service did examine comparable material from Docket No. RM2017-10. Proposal Six in Docket No. RM2017-10 was filed on July 28, 2017, and constitutes the most recent docket in which updates were proposed to the

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rate categories, can also be found in the Prefaces of the public ACR folders presenting mail processing and transportation cost models for market dominant products – e.g., USPS-FY18-15 and USPS-FY18-16. These public folders for market dominant products filed in the ACR thus continue to serve as useful reference aids to understand the operation and format of the nonpublic cost model folders for competitive products. In terms of this proceeding, however, since the proposed cost model changes are limited to those presented in the nonpublic folders for competitive products, there is nothing to submit in terms of corresponding new versions of public folders.

same cost models at issue in this proceeding (the models in NP15 and NP16). As part of the Impact section (pages 18-19) of Proposal Six submitted in 2017, the Postal Service did include actual impact tables, omitting the absolute unit costs but including percentage changes for each row (corresponding to the rows in the nonpublic impact tables filed in both that proceeding in and in the instant one). To maintain parity with this relevant past practice, therefore, the Postal Service includes at the end of this response comparably abbreviated versions of the impact tables presented in the two tabs of the nonpublic Excel file cited in the Postcom motion. These tables are consistent with what was previously provided on pages 18-19 of Proposal Six, and provide all of the percentage changes that were discussed on pages 13-14 of current Proposal Eight, as well as the other percentage changes that did not warrant separate discussion. In combination, these materials appear to fully resolve the situation identified by PostCom and addressed in Order No. 5274.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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### NP 15 (Mail Processing) Proposal Impact

Price Category	Percent Change
<b>Parcel Select</b>	
Ground Machinable	-1.078%
Ground NMO	-1.085%
Ground Oversize	-1.086%
DNDC Machinable	-1.072%
DNDC NMO	-1.083%
DNDC Oversize	-1.085%
DSCF 5-Digit Machinable	-1.048%
DSCF 5-Digit NMO	-1.073%
DSCF 5-Digit Oversize	-1.075%
DSCF 3-Digit Machinable	---
DSCF 3-Digit NMO	-1.076%
DDU Machinable	-1.024%
DDU NMO	-1.041%
DDU Oversize	-1.058%
<b>Parcel Select Lightweight</b>	
No Destination Entry MNDC	-1.074%
No Destination Entry NDC	-1.069%
DNDC Entry NDC	-1.067%
DNDC Entry SCF	-1.067%
DNDC Entry 5-Digit	-1.036%
DSCF Entry SCF	-1.066%
DSCF Entry 5-Digit	-1.024%
DDU Entry 5-Digit	-1.018%
<b>Parcel Return Service</b>	
Full Network Machinable	-7.973%
Full Network NMO	-10.599%
Full Network Oversize	-11.045%
RSCF Machinable	5.587%
RSCF NMO	23.751%
RSCF Oversize	59.139%
RDU Machinable	-4.169%
RDU NMO	9.348%
RDU Oversize	45.379%
<b>Barcode Savings Estimate</b>	0.000%

# NP16 (Transportation) Proposal Impact

Price Category		Percent Change
<b>Parcel Select</b>		
<b>Ground</b>		
	Zones 1 and 2	0.000%
	Zone 3	0.000%
	Zone 4	0.000%
	Zone 5	0.000%
	Zone 6	0.000%
	Zone 7	0.000%
	Zone 8-9	0.000%
<b>DNDC</b>		
	Zones 1 and 2	0.000%
	Zone 3	0.000%
	Zone 4	0.000%
	Zone 5	0.000%
<b>DSCF</b>		0.000%
<b>DDU</b>		0.000%
<b>PSLW None</b>		---
<b>PSLW DNDC</b>		---
<b>PSLW DSCF</b>		---
<b>PSLW DDU</b>		---
<b>Parcel Return Service</b>		
<b>Full Network</b>		
	Zones 1 and 2	0.000%
	Zone 3	0.000%
	Zone 4	0.000%
	Zone 5	0.000%
	Zone 6	0.000%
	Zone 7	0.000%
	Zone 8-9	0.000%
<b>RSCF</b>		0.000%
<b>RDU</b>		0.000%